DAVID EINHORN is president and co-founder of Greenlight Capital, a long-short value-oriented hedge fund, which started with $900k under management in 1996, and now has over $7 billion. The fund has been closed to new investors for several years. **Over the ensuing years, Greenlight has generated more than 30% gross returns on an annual basis.**

Einhorn is Chairman of the Board of Greenlight Capital Re, Ltd. (NASDAQ:GLRE) and serves on the boards of Hillel: The Foundation for Jewish Campus Life, The Michael J. Fox Foundation for Parkinson’s Research, and the Robin Hood Foundation. Einhorn also owns a large stake in the New York Mets.

Einhorn graduated summa cum laude with distinction in all subjects from Cornell University, where he earned a B.A. in Government, from the College of Arts and Sciences.

When David was graduating college he was unsure what field he wanted to go into. He even met with the CIA about a possible job opportunity. Einhorn decided to work as an analyst at an investment bank called Donaldson, Lufkin & Jenrette (DLJ). Einhorn hated the job and the 100+ hour work weeks that came along with the position.

However, after two years at the firm, Einhorn joined a hedge fund with an $150m AUM called SC Fundamental Value Fund. Einhorn had a great learning experience there, and mastered the art of financial statement analysis. Einhorn described the most important lessons he learned at the firm as: "To understand the nature of the business, the economics of the business compared to reported earnings, and are the managements' decisions aligned with shareholder interests."

In 1996, Einhorn left the firm with his colleague Jeff Keswin to start Greenlight Capital.

In 2008 Einhorn authored *Fooling Some of the People All of the Time: A Long Short Story*, which described his battle with Allied Capital. Einhorn alleged fraud in the book that took place starting with his investigation of the company in 2002.
Einhorn released an updated version of the book in December 2010 titled *Fooling Some of the People All of the Time, A Long Short (and Now Complete) Story, Updated with New Epilogue*, where he adds an epilogue regarding further fraud at Allied, which could not be revealed at the time of original publication, the collapse of Allied Capital, and his short of Lehman Brothers. David Einhorn is donating 100 percent of the proceeds from the book to charity.

Current portfolio [here](#), recent buys/sells [here](#).

Investing Philosophy: (Note: I will be adding to this significantly shortly. However, David's book *Fooling Some of the People All of the Time: A Long Short Story* does a great explaining his investment philosophy.)

Einhorn states that his process is the opposite of most value investors. Most value investors look for stocks at low multiples of earnings book value, free cash flow etc. and then try to figure out why they are cheap, and if the current market price is below the intrinsic value.

Einhorn takes a very different approach. He starts by asking why a security might be miss-priced; once he has a theory, he sees if the security is in fact miss-priced. Einhorn will never invest in a security if he believes that he does not have a large analytical edge over the person on the opposite side of the trade.

Some investors compare themselves to an index (usually the S&P500). Therefore, if the S&P goes down 20 percent, but they are down 10 percent they are "happy".

Einhorn does not use this method of investing; he is an absolute return investor. This means that Einhorn expects to make money regardless of market conditions. The goal of Einhorn's Hedge Fund is to make money, or at least to preserve capital.


Einhorn in part accomplishes this approach by shorting stocks. Einhorn does not short to hedge but rather to make money. He also does not short based on valuation, but rather based on a large analytical edge or where the company is engaging in fraud. Einhorn's two most famous shorts are Lehman Brothers in 2007, and Allied Capital in 2002.

Einhorn also takes a long-term approach to his investments. Sometimes when he invests, he has no idea when he will sell. He likes to keep a concentrated portfolio consisting with up to 20 percent in one holding, and the top five holdings making up 30-60 percent of the portfolio. The short positions are usually structured as half the size of the longs, in case the shorted securities go up in value. The shorts also usually make up a smaller percentage of the portfolio, making Einhorn a net long investor.

**David Einhorn's Greenlight Capital Shareholder Letters:**

Q4 2012 shareholder letter
Q3 2012 shareholder letter
Q2 2012 shareholder letter
Q1 2012 shareholder letter
Q4 2011 shareholder letter
Q3 2011 shareholder letter
Q2 2011 shareholder letter
Q1 2011
Q4 2010
Q3 2010
Q2 2010
Q1 2010
Q4 2009
Q3 2009
Q2 2009
Q1 2009
2008
Q3 2008
Q2 2008
Q1 2008

David Einhorn’s Speeches, Interviews, and Selected Articles:

Speech on Allied Capital: Fooling some of The People All the Time (2002)

Speech At Ira Sohn Conference (2006)

Speech at Value Investors Congress (2006)
David Einhorn’s Value Investing Congress Presentation

Heads Up Play With David Einhorn (great interview)

Financial Crisis Inquiry Commission Interview With David Einhorn of Greenlight Capital

Face To Face With David Einhorn: King World News

David Einhorn’s Latest news:

Met profit: Einhorn deal could yield majority ownership (2011)

Ira Sohn Conference: David Einhorn on Microsoft and Delta Lloyd (2011)

Showdown in the Sunshine State (2011)

Berkowitz Wins Battle For St. Joe Board, CEO Steps Down (2011)

David Einhorn’s Recommended Reading List (2011)


Liquor Before Beer...In The Clear (2009)

Greenlight's Einhorn shorting Moody's | Reuters (2009)

The Curse Of The AAA (2009)

Einhorn wants SEC's full report on Allied Capital | Reuters (2010)

Greenlight's Einhorn holds gold, slams US policies - Forbes (2009)

Accounting Ingenuity (2008)

Private Profits and Socialized Risk (2008)

Greenlight's Einhorn faults rating agencies on MBIA | Reuters (2008)

Lehman Battles an Insurgent Investor - NYTimes.com (2008)

Greenlight's David Einhorn Quits New Century Board (2007)

Allied Says Agent May Have Obtained Einhorn Telephone Records (2007)
USATODAY.com - Lunch with Warren Buffett fetches $250,100 for charity (2003)
More Buffett lunches wanted - Taipei Times (2003)
USATODAY.com - Crisis lawyer tackles new target: Hedge funds (2003)
Forbes.com: Hit Man (20002)
CompuCredit Reports Earnings - Forbes.com (2001)

David Einhorn’s BOOKS:

As stated above, David Einhorn authored Fooling Some of the People All of the Time, which I highly recommend to any type of investor.

David Einhorn spoke at the UJA in 02/2011 (my notes on the speech are here.)

At the UJA speech, David was asked his favorite books. His three favorite ones are detailed below:

Seth Klarman’s Margin of Safety: The book is one of the most stolen books from libraries. Used copies of the book cost several hundred dollars. Margin of Safety, is a rare insight into the investment philosophy of Klarman, who tends to shy away from publicity. The book focuses on value investing with an emphasis on special situation investing. While, Margin of Safety does not get too much into the specific investments Klarman made, it gets into the theory behind it. Almost every value oriented analyst I have spoken to considers the book to be one of the top five books on investing. Klarman was named by Warren Buffett as one of top three favorite investors.

Joel Greenblatt’s “You Can Be a Stock Market Genius: Greenblatt’s book has a bit of a cheesy title, but the information is gold. The book is similar to Seth Klarman’s Margin of Safety; however, Greenblatt focuses more on specific investments instead of focusing mostly on the
process. Klarman (here) and Dan Loeb (here) both recommended reading the book. Greenblatt discusses many examples where investors can make high returns including, spin-offs, recapitalizations, and LEAPs. This is probably the best book on how to find special situations.

Michael Lewis’s “Liar's Poker”: Michael Lewis is one of the most entertaining and insightful financial authors. Liar’s Poker discusses Lewis’s time on Wall Street and mostly focuses on his career as a bond trader. Lewis, in a humorous manner, writes about the rise and the fall of Salomon Brothers. Lewis also discusses junk bonds at length, and the fraud of the junk bond king, Michael Milken. Klarman also recommended reading “anything by Michael Lewis”.

Finally there is David Einhorn’s own book, Fooling Some of the People All of the Time: A Long Short Story. While Einhorn did not recommend the book itself, one can assume he would recommend his own book. The book discusses Einhorn’s short of Allied Capital. I really enjoyed the book; a full book review that I wrote on it can be found here.

VIDEOS: